

OIG Status Report

REVIEW OF FY 1999 EMERGENCY SUPPLEMENTAL APPROPRIATIONS

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OIG STATUS REPORT

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ABBREVIATIONS

A	Bureau of Administration
A/FBO	Office of Foreign Buildings Operations
ARSO	Assistant regional security officer
CAA	Controlled access area
CFMS	Central Financial Management System
Department	Department of State
DS	Bureau of Diplomatic Security
E&E	Emergency and Evacuation
ESA	Emergency supplemental appropriations
FMP	Bureau of Financial Management and Policy
GSO	General Services Office
ICASS	International Cooperative Administrative Support Services
IOB	Interim office building
IRM	Bureau of Information Resource Management
OIG	Office of Inspector General
PSA	Personal services agreement
POCs	Points of contact
PSO	Post security officer
RSO	Regional security officer
SEO	Security engineering officer
USAID	U.S. Agency for International Development

I. EXECUTIVE SUMMARY

Background and Purpose

On August 7, 1999, the U.S. Embassies in Nairobi and Dar es Salaam were bombed. To cover the costs incurred by those bombings and begin security improvements at diplomatic missions abroad, Congress appropriated \$1.5 billion for security enhancements in the Omnibus Consolidated and Emergency Supplemental Appropriations (ESA), 1999 (PL 105-277). To meet congressional reporting expectations, the Department created a separate account for managing the funds.

OIG is assessing the Department's management controls and systems that account for and manage ESA funds, recruit and train security and administrative personnel, and procure ESA goods and services. We are also evaluating the Department's efforts to enhance physical security overseas. In August 1999, OIG issued a classified report, *Security at Embassies Dar es Salaam and Nairobi Following the August 7, 1998, Terrorist Bombings*, making recommendations for needed actions.

Results In Brief

Overall, we found that the Department has provided senior level attention and management of resources to improve overseas security. The direct involvement of the Under Secretary for Management and the Security Oversight Board has provided focus for the overseas security enhancements and fostered coordination among the different bureaus.

The Department has established systems capable of appropriately accounting for and managing ESA funds obligated and liquidated domestically. However, reports on domestic program funds obligated to date are overstated because they include significant amounts (\$76 million) transferred to overseas posts that are not obligations for goods and services. Additionally, the account coding structure the Department implemented is complex and confusing.

The Department is making considerable progress in filling the 391 new security positions established under ESA. When hired, the new personnel should help address the staffing shortages to support overseas security.

Despite the pressure to procure ESA goods and services quickly, the Department has followed applicable procurement and property management regulations. Most post officials were satisfied with the Department's response to requests for funding for post-proposed ESA-related procurement, construction projects, and expanded guard services. However, post officials indicated information gaps existed on some

ESA-funded programs and projects. To best implement these programs, they recommended better communications with headquarters program elements and regional bureaus.

The current facilities for Embassies Dar es Salaam and Nairobi are more secure than at the time of the August 7, 1998, bombings. However, both embassies still had vulnerabilities that needed to be addressed at the time of our May 1999 security evaluation. Embassy Dar es Salaam lacked sufficient emergency electrical power for security systems such as exterior security lights, alarms, and vehicle barriers. Embassy Nairobi needed to strengthen the large glass windows in the front of the interim chancery building and provide a secondary exit point from the compound. The Department has reported action to correct many of these deficiencies.

Principal Findings

Accounting for and Managing Emergency Supplemental Funds Congress expects the Department to report annually on the expenditure of funds made available by ESA.¹ After careful consideration, the Bureau of Financial Management and Policy (FMP) concluded that in order to meet congressional reporting expectations, the Department should not commingle supplemental budget authority and subsequent execution with other appropriated funds in its official accounting records. To maintain the segregation of funds, FMP created a unique point limitation (“H”) within its appropriation accounts as recorded in its official accounting system, the Central Financial Management System.

The Department has established systems capable of appropriately accounting for and managing ESA funds obligated and liquidated domestically. However, reports on funds obligated to date are overstated because they include about \$76 million the Bureau of Diplomatic Security (DS) merely transferred to overseas posts that are not obligations for goods and services. In addition, the account coding structure implemented is complex and confusing due to the exceptions the Department has allowed some bureaus. Furthermore, a portion of ESA funds are being used for services funneled through the International Cooperative Administrative Support Services (ICASS), and there is no official system or process to track and monitor the funds as they are obligated and liquidated at post. We also found that the Department had not yet fully accounted for an estimated \$18 million in obligations and expenditures it incurred prior to receiving ESA funds.

¹ Conference Report to accompany H.R. 4328 (House Report 105-825), October 19, 1998.

***Hiring, Assigning,
and Training
Security Personnel***

The Department is making considerable progress in hiring, assigning, and training new security personnel. The 391 new positions should help address the staffing shortages to support overseas security. Of the 140 established overseas security officer positions, 68 will be filled during 1999. These consist of 33 regional security officers (RSOs) and 35 assistant regional security officers (ARSOs). Most of the 68 security officers are currently in training and should be sent to posts in either the latter part of 1999 or early 2000. DS training officials informed us that the RSO training has been lengthened to include training in bomb detection and the use of the new equipment purchased under the ESA. DS is also planning to send out mobile training teams that are scheduled to visit each embassy within the next 2 years. DS is aware and has communicated to the RSOs that more time needs to be spent providing on-the-job training, because a great many more of the ARSOs will be inexperienced.

The Department has also filled 17 security engineer positions and 34 security technician positions. The security technicians are attending training classes that began in September 1999. These classes are scheduled to run until March 2000, after which the technicians will begin their overseas assignments. In addition, according to DS, 20 courier positions, 18 office management specialist positions, and approximately 40 of the total 46 Civil Service positions have been recruited and filled.

Although there is progress in addressing security personnel needs, the Department had to defer filling three security officer positions and one security engineering position at high-priority locations because employees did not bid on these assignments. The Department did not direct personnel to fill these positions. A March 1998 OIG inspection report identified weaknesses in the assignment process and recommended that the Department institute, before the 1999 bidding cycle, a new incentive scheme for hard-to-fill and hardship and dangerous posts. However, the Department has not implemented this recommendation.

***Procurement and
Property
Management Issues***

Despite the urgency of procuring ESA equipment, the Department, including DS, the Bureau of Administration's Office of Foreign Buildings Operations (A/FBO), the Bureau of Information Resource Management (IRM), and the posts we visited, followed applicable procurement and property management regulations. For the first 3 quarters of FY 1999, about \$576 million was obligated. Planned total FY 1999 obligations should be about \$1.02 billion.

Most post officials were satisfied with the responsiveness of headquarters elements to approve and provide funding for post-proposed security supplemental equipment purchases, construction projects, and guard services. Yet, post officials stated that communications with

headquarters program elements and regional bureaus could be improved. Post officials recommend points of contact in Washington for ESA programs and projects.

Post officials expressed concern over future funding for ESA programs, including related equipment, because FY 2001 program funding will be shared at post under ICASS. At one post, security officers wanted to know if the local ICASS Council would have authority to cancel security programs due to lack of funds and whether security management would be entrusted to the ICASS Council.

As of September 30, 1999, over 230 post-processed security upgrade projects had been completed and another 150 were under construction. Construction on many of the larger upgrade projects were awaiting survey teams from A/FBO's Construction Security Management Division and two construction firms that will manage projects through an implementation contract. A/FBO officials estimate that available contract funds of \$95 million may only cover projects at 20 of the 110 posts considered for project funding. Posts officials are concerned with the availability of technical staff to oversee the management of construction of projects, although A/FBO believes it will be able to provide project support personnel as required.

***Security at Embassies
Dar es Salaam and
Nairobi Following the
August 7, 1998,
Terrorist Bombings***

Overall, the Department's ability to protect employees and operations at the chanceries in Embassies Dar es Salaam and Nairobi significantly improved after the August 7, 1998, terrorist bombings. This is the result of impressive and often exhausting efforts, particularly by A/FBO and DS employees, as well as by embassy staff and many other employees throughout the Department. In our August 1999 classified report, *Security at Embassies Dar es Salaam and Nairobi Following the August 7, 1998, Terrorist Bombings*, we recommended actions needed to provide additional support and security to ensure that the embassies make a secure transition to full operations in their interim facilities. We also recommended that the Department use the lessons learned from the posts in case of future post relocations to interim or new facilities.

The Department has reported actions are underway to correct the physical security deficiencies we identified at Embassies Dar es Salaam and Nairobi. At Embassy Dar es Salaam, an upgrade of the existing electrical distribution system has been initiated at the interim office building, and construction should be completed in December 1999. At Embassy Nairobi, large glass windows were replaced with a new block wall and windows consistent with the remainder of the building. In addition, a secondary exit from the compound has been installed, and the post is now inspecting vehicles entering the compound further away from the building and closer to the main public road.

<i>Contract Audit of Interim Office Building Construction in Dar es Salaam</i>	The Defense Contract Audit Agency, in a separate review, questioned about \$850,000 of the \$8.4 million billed by the contractor for the interim office building in Dar es Salaam. In late September 1999, the Department and the contractor began negotiations on a final contract price.
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Recommendations	We provided a draft of this report to Department officials for comment. They agreed with our recommendations as follows:
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- The Bureau of Financial Management and Policy should develop a method to collect financial information for Department of State reports on emergency supplemental implementation that ensures amounts shown as obligated represent actual obligations for goods and services.
- The Bureau of Financial Management and Policy, with input from the Bureau of Diplomatic Security, should develop alternative methods to account for Bureau of Diplomatic Security allotments of emergency supplemental funds to posts.
- The Bureau of Financial Management and Policy should establish a unique accounting code for obligating and liquidating emergency supplemental funds that flow through the International Cooperative Administrative Support Services program.
- The Bureau of Administration's Foreign Buildings Operations should identify emergency supplemental transactions it incurred prior to receiving emergency supplemental funds and transfer these transactions to the point limitation account.
- The Under Secretary for Management should advise posts on how to quickly obtain information from headquarters about particular emergency supplemental programs or projects.

II. PURPOSE AND SCOPE

The purpose of OIG's effort was to review the effectiveness of the Department's management of the FY 1999 ESA. The primary objectives of the review were to assess the Department's management controls and systems that account for and manage ESA funds, recruit and train security and administrative personnel, and procure ESA goods and services. In conjunction with our overseas inspections, we evaluated the Department's efforts to enhance physical security overseas. This document is a summary of information based on work performed by OIG's Office of Audits and Office of Security and Intelligence Oversight. We have made recommendations in those areas that warrant immediate action by the Department. In other cases, we have presented preliminary findings and observations to the Department to assist in managing ESA-funded activities. In future work, we will update issues identified in this status report. Some of these areas or programs may warrant a more comprehensive review.

Our review of ESA activities was conducted through August 31, 1999, unless otherwise noted. In Washington we met with officials in the Bureaus of Administration, IRM, DS, and FMP; the six geographic bureaus; and the Office of Management Policy in the Office of the Under Secretary for Management.

Overseas, we performed a survey of financial, personnel, procurement and property management issues. We visited Embassies Bangkok, Berlin, Bern, Conakry, Sofia, Tel Aviv, and Ulaanbaatar, during May and June 1999. We also gathered information during post inspections at 30 locations between May and August 1999. At seven locations, including Embassies Dar es Salaam and Nairobi, the primary emphasis of the inspection was to evaluate security. During the security inspections we sought the views of key officials from the other agencies represented at post on threats, vulnerabilities, and impediments to improved security.

OIG attended Department and interagency briefings and planning sessions on ESA activities and issues. Based on preliminary findings and observations, we alerted senior managers in the field and in the Department of areas of concern for ESA programs and resources. In this status report, we have noted actions taken by Department elements, including the senior-level Security Oversight Board, to strengthen weaknesses identified by the OIG. In addition, as requested by the Department, we provided audit support for the construction contract of the interim office building in Dar es Salaam.

In February 1999, OIG created a Security Enhancements Oversight Committee to evaluate the physical and technical security of new office buildings, security for construction personnel, and logistics security for equipment for use in controlled access areas (CAAs). A summary of the first Security Enhancements Oversight Committee reports on Dar es Salaam and Nairobi is incorporated in this status report. In addition, OIG security and intelligence inspectors have increased coverage of ESA issues for regularly scheduled post inspections. Security has been and will remain an area of special emphasis for all OIG inspections. This status report incorporates findings from recent inspections as applicable.

OIG reviewed several comprehensive reports on security including Admiral William J. Crowe's *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar es Salaam*, issued January 1999, and the Secretary of State's response to the recommendations made in that report. Other reports reviewed include Admiral Bobby R. Inman's 1985 *Report of the Secretary of State's Advisory Panel on Overseas Security (Inman Report)* and Ambassador John F. W. Rogers' 1993 *Security Needs and Diplomatic Construction (Rogers Report)*.

The General Accounting Office is reviewing the Department's efforts to improve security at diplomatic posts. OIG is coordinating closely with the General Accounting Office in that effort. OIG has also contacted the offices of Inspector General at other foreign affairs agencies to brief them on our current and planned work.

At the conclusion of each site visit, OIG conducted exit conferences on the results of our survey work with responsible post officials. In addition, we briefed headquarters and bureau officials on the results of our work and provided a draft of the report for review and comment. We incorporated Department comments in the final report as applicable.

III. BACKGROUND

In 1983, bombings at Embassy Beirut, Embassy Kuwait, and the Beirut Marine barracks prompted the Secretary of State to appoint an advisory panel on overseas security chaired by Admiral Bobby R. Inman. For nearly a year, this panel studied various security issues, visited overseas facilities, and took testimony from a wide range of experts.

In 1985, the *Inman Report* made 91 recommendations that addressed virtually all aspects of security, including physical and technical security, dignitary protection, local guard forces, counterterrorism, accountability, and the projected capital budget needed to make the changes recommended. The report recognized the Department's efforts to enhance overseas security during the early 1980s, but concluded that dramatic new threats to U.S. interests called for wholesale changes in many areas.

The report further addressed how much risk the Department should accept while operating overseas. It concluded that risk should be minimized to the greatest extent possible and that the Department should have clear accountability for security issues. It recommended enacting regulations that require the Secretary of State to convene a Board of Inquiry with powers of "establishing accountability in all cases involving terrorism or security-related attacks that result in significant damage and/or casualties to United States personnel or property." This recommendation was later reflected in the Omnibus Diplomatic Security and Antiterrorism Act of 1986 (Public Law 99-399; 22 U.S.C. 4801 *et seq.*).

The *Inman Report* also proposed a long-range plan to renovate or replace 134 facilities considered incapable of providing blast protection or situated where the U.S. Government could not assure exclusive control over the premises. One critical aspect of enhancing blast protection was providing a 100-foot setback between the facade of a building and the perimeter barrier. The report estimated that implementing this program would require 5 years and \$3.5 billion. The Department initially requested \$2.7 billion. The Omnibus Diplomatic Security and Antiterrorism Act of 1986 authorized \$2.1 billion. However, between FYs 1986-1990, only \$888 million was appropriated. Therefore, planned activities were scaled back to match funding.

In 1993, the *Rogers Report* again looked at the provision for setback and determined that a 100-foot setback was difficult to obtain and extremely costly. "For a typical building, the cost of the four to six acres required would represent from 8 to 10 percent of the total project cost. Moreover, plots large enough to provide a 100-foot setback are often in remote locations that change the nature of U.S. representation in a particular locale."

On August 7, 1998, bombs exploded outside the U.S. Embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, resulting in over 200 deaths and injuries to more than 4,000 people. Twelve American employees and family members and 40 Kenyan and Tanzanian Foreign Service national employees were among those killed. Both chanceries and several other buildings were severely damaged or destroyed.

Admiral William J. Crowe chaired an Accountability Review Board to examine the bombings. The Review Board concluded that saving lives and adequately addressing security vulnerabilities on a sustained basis must be given a higher priority by all those involved to prevent tragedies in the future. This is similar to the conclusions drawn by the *Inman Report*.

Following the bombings, Congress appropriated about \$1.5 billion, including authorization of about 400 additional positions to the Department to:

- cover costs incurred as a result of the East African bombings, including planes for emergency support teams and payments to host country victims,
- restore Embassies Nairobi and Dar es Salaam to full operation,
- accommodate immediate security needs at other posts,
- upgrade physical security levels worldwide,
- relocate facilities for the Department and other agencies, and
- provide antiterrorism training for foreign law enforcement officials.

IV. FINDINGS

OVERALL PROGRAM MANAGEMENT

In response to the \$1.5 billion emergency appropriation for security enhancements, the Department mobilized resources to address security vulnerabilities, and to implement the recommendations contained in the *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar es Salaam*. The Under Secretary for Management created a Security Oversight Board to coordinate these initiatives and to manage the multitude of efforts undertaken since the East African bombings. The board includes the assistant secretaries of the various bureaus involved in security enhancements and is chaired by the Under Secretary. This high-level involvement has kept the enhancement program focused and has promoted coordination among the various Department bureaus.

Various bureaus manage aspects of the security supplemental. FMP was given overall responsibility for monitoring and tracking the supplemental funds; the Bureau of Personnel manages the hiring, assigning, and training of personnel authorized by the supplemental; A manages procurement, construction, and property issues; IRM manages the overseas wireless program; and DS manages the security programs. The following sections report on the efforts of these bureaus.

A. ACCOUNTING FOR AND MANAGING EMERGENCY SUPPLEMENTAL FUNDS

Congress expects the Department to report annually on the expenditure of funds made available in the ESA. To ensure it can fully account for ESA funds, the Department developed a financial account coding structure to segregate ESA funds from other appropriated funds in its official accounting system, the Central Financial Management System (CFMS).

Based on our preliminary work, we believe the Department has established systems capable of appropriately accounting for and managing ESA funds obligated and liquidated domestically. However, reports on funds obligated to date are overstated because they include amounts that are internal transfers to posts, not obligations for goods and services. In addition, the account coding structure implemented is complex and confusing due to the exceptions the Department has allowed some bureaus. We also found that the Department had not yet fully accounted for obligations and expenditures it incurred prior to receiving the ESA. Further OIG review is planned regarding ESA funds that will be spent overseas.

Maintaining Funds Segregation

The ESA program affects multiple appropriations and bureaus as well as overseas posts. The Department received emergency supplemental budget authority in various appropriation accounts, including: Diplomatic and Consular Programs, Salaries and Expenses, Security and Maintenance of U.S. Missions, Emergencies in the Diplomatic and Consular Service, Office of

the Inspector General, and Nonproliferation, Antiterrorism, Demining, and Other Related Programs.² As many as 17 domestic offices and bureaus are receiving ESA funds. These offices and bureaus record financial information on domestic ESA fund transactions in CFMS. Overseas posts are also receiving ESA funds and must account for them. The financial information they enter in their local systems is captured in CFMS at the summary level during regular monthly system interfaces.

The Department recognized that the program exceeds, in both size and importance, other supplemental appropriations the Department has received. FMP was given overall responsibility for monitoring and tracking the financial performance of the ESA program. After careful consideration, FMP concluded that, in order to meet congressional reporting expectations, the Department should not commingle supplemental budget authority and subsequent execution with other appropriated funds in its official accounting records. To maintain the segregation of funds, FMP created a unique point limitation (".H") within its appropriation accounts.³ Other procedures are being used for accounts that already use a point limitation or that have other barriers to using the ".H" limitation. For example, FMP established specific function codes and project codes, that are to be used exclusively for recording ESA transactions. FMP developed these codes to provide additional assurance that proper segregation of funds is maintained and that it will be able to account for ESA funds.

The Department has successfully used a point limitation to maintain the separate and distinct fund identity of financial transactions under the ICASS program.⁴ In our previous review of ICASS, we concluded that, with the use of a point limitation, the ICASS program is capable of delivering fair, understandable, reliable, timely, and auditable financial information.⁵ Therefore, we believe the use of point limitation accounts in the ESA program should provide similar discipline and appropriate segregation. However, the Department needs to take action on the issues that we discuss below relating to reporting, point limitation exceptions, and obligations incurred prior to receiving ESA funds.

Reporting

The amount of ESA funds that the Department reported as obligated to date for at least one bureau, DS, is overstated because a significant amount of these obligations actually represent internal transfers to posts. This is a direct result of the accounting treatments discussed under Point Limitation Exceptions.

On June 25, 1999, the Department briefed Congressional Staff, the Office of Management and Budget, the General Accounting Office, and OIG. To show its progress in

² We focused our current work on the accounts receiving the largest share of the ESA funds: the Diplomatic and Consular Programs account and the Security and Maintenance of U.S. Missions account.

³ A point limitation is a decimal suffix added to the appropriation account symbol; for example, the regular account symbol for the Salaries and Expenses account is 19X0107. The Department added a point limitation to this symbol, 19X0107.H, to track ESA salaries and expenses in CFMS.

⁴ ICASS is the vehicle used to manage the delivery of shared administrative support services. ICASS distributes the associated costs to U.S. Government agencies at diplomatic missions abroad.

⁵ *Review of the International Cooperative Administrative Support Services Program*, Memorandum Report 98-FM/IM-017, September 1998.

implementing and spending the ESA, the Department provided information on the amount of funds that had been obligated by each bureau receiving ESA funds. The Department reported that, through May 31, 1999, DS had actual obligations of over \$251 million.

Of the \$251 million, DS records show that almost \$76 million represents internal transfers to posts. Although these internal transfers appear in CFMS as obligations, they are not “a liability or definite commitment on the part of the government to make a disbursement” until they are obligated by the posts ultimately receiving the funds. At the time of the June 25 briefing, posts had not obligated the entire \$76 million they received through internal transfers. Therefore, the amount posts had not yet obligated should not have been included in Department reports as actual obligations.⁶

Recommendation 1: We recommend that the Bureau of Financial Management and Policy develop a method of collecting the information used in Department of State reports on implementing emergency supplemental funding that ensures amounts shown as obligated represent actual obligations for goods and services. Any amounts provided to posts that have not been obligated by posts should be properly identified as such.

In its response to the draft report, FMP stated that it concurred with this recommendation and has taken action to resolve it. Arrangements have been made with DS to allot funds to posts using the “.H” point limitation for all funding outside of ICASS starting in FY 2000. Posts in turn will use the “.H” when establishing obligations. FMP states that this new procedure will resolve the problem. OIG acknowledges that FMP’s new procedure will resolve our concerns but only for transfers other than ICASS. Obligations that represent transfers to posts for ICASS programs will still exist and a method needs to be found to collect data on the actual obligations for these transfers as well. This recommendation is considered resolved, but FMP’s new procedures do not address our concerns for ICASS.

Point Limitation Exceptions

FMP allows several exceptions to the use of the “.H” limitation for ESA funds. These exceptions will not necessarily prevent the Department from providing an accurate final accounting of the funds and how they were used. However, as discussed previously, the method used to account for some of the exceptions overstated the amount of actual obligations on Department reports. In addition, the exceptions for American salaries, bureau- and post-funded expenses, and ICASS increase the complexity of processing transactions and accounting for and managing the funds.

American Salaries

The Department pays American employees hired under the ESA program from the regular salaries account. It identifies these costs by using a newly established ESA function code on all related personnel actions. The regular salaries account must then be reimbursed from the appropriate ESA point limitation account. This process avoids the need for assigning new

⁶ The July 1999 *Monthly Implementation Report on the Security Appropriation* shows that DS had actual obligations of \$271 million through June 1999. Of this amount, approximately \$79 million represents internal transfers to posts.

employees exclusively to the ESA account for 1 year and then preparing another personnel action to reassign the employee to other programs in the future.

If FMP guidance for salaries is followed, the Department should be able to account for ESA salary costs. However, the two-step process is more complicated than charging American salaries directly to the point limitation account, and it increases the potential for error. In October 1998, FMP issued coding instructions that addressed American salaries. Almost 8 months later, our discussions with headquarters personnel revealed continuing confusion about how to appropriately account for these transactions. As we continue our review, we will explore this issue in more detail.

Bureau- and Post-Funded Expenses

Another exception to using the point limitation allows bureaus to allot funds to posts from regular appropriation accounts that will then be reimbursed from ESA point limitation accounts. To be able to identify transactions against these funds as ESA transactions, FMP issued unique function codes to be used on obligations and liquidations. For example, DS allots funds from its regular appropriation account to posts and provides posts the appropriate function codes to use when obligating and liquidating the funds. DS creates an obligation against its ESA point limitation account for the amount it allotted to post, and then requests that FMP liquidate the obligation to reimburse the regular appropriation account.

Again, this process is more complicated than allotting funds to posts directly from the point limitation account. The obligations created to transfer funds to posts are then inappropriately included in the amount of funds obligated on Department reports, as discussed previously. In addition, in some cases, DS allotted funds from annual appropriations to posts under this exception. Normally, funds from annual appropriations are only available for obligation within the year in which they are appropriated. ESA funds, which are no-year appropriations, remain available until expended.

An official in FMP stated that this procedure was established so that posts would not receive multiple allotments from different bureaus under the same ESA point limitation account. We have asked FMP for additional clarification on how these transactions will affect both the regular and ESA appropriation accounts. In addition, we believe the Department should explore alternatives to simplify the method being used by DS to allot ESA funds to posts.

Recommendation 2: We recommend that the Bureau of Financial Management and Policy, with input from the Bureau of Diplomatic Security, develop and consider alternative methods to account for Bureau of Diplomatic Security allotments of emergency supplemental funds to posts.

FMP has stated that it concurs with this recommendation and has taken action to resolve it. As mentioned in its response to Recommendation 1, DS will allot funds to post during FY 2000 using the “.H” point limitation and posts will establish obligations using the “.H.” The new procedure outlined by FMP would address our concerns with DS allotments. In completing our ongoing work, we will review this new procedure. This recommendation is considered resolved.

ESA Funds Flowing Through ICASS

A portion of ESA funds are being used for services funded through ICASS. The bureau responsible for these programs, DS, obligates funds to ICASS from its ESA point limitation account using unique function codes. The funds are then sent to post under the ICASS, rather than the ESA, point limitation account.

FMP issued instructions for posts to use a new ESA cost center/function code for *budgeting* these funds under ICASS. It also provided posts training in how to use revised ICASS software to estimate and budget ESA costs. However, FMP had not developed a unique *accounting* code for ESA obligations and liquidations; posts use the same codes that they use for other ICASS transactions. Therefore, there are no standard codes in the accounting fiscal strip to identify these transactions as ESA transactions in CFMS or in post financial systems. As a result, there is no official system or process to track and monitor the funds as they are obligated and liquidated at posts.

Like bureau- and post-funded expenses, the obligations DS creates to transfer funds to posts through ICASS are inappropriately included in the amount of ESA funds obligated on Department reports. Because there is no way to identify these transactions in either CFMS or overseas system reports, there is no easy way for DS to determine the amount of funds posts have actually obligated.

ICASS Service Center officials stated that the ICASS software provides an estimate of the amount of ESA funds posts obligate. However, they stressed that the software is a cost allocation system, not an accounting system. They also acknowledged that individual ESA transactions cannot be tracked through the ICASS software. In order to track these funds, posts must develop their own tracking systems, which we found were not always adequate. Although some posts had developed detailed spreadsheets for tracking and monitoring their ESA expenditures under each cost center/function code, other posts were only tracking ESA expenditures at the allotment level, and one had not yet developed a tracking system.

All posts are burdened with absorbing the increased workload of the complex accounting records required for the ESA. During the midyear ICASS workshops, the ICASS Service Center provided posts a suggested, but not mandatory, obligation coding format that would help posts identify obligations against ESA funds. However, several posts stated that they were using other methods to keep track of ESA obligations. Regardless, using the suggested obligation coding format is insufficient to identify ESA transactions in CFMS. Establishing a unique accounting code that all posts must use to record ESA obligations and liquidations would enable both posts and DS to identify overseas ESA transactions on CFMS and overseas system reports. It would relieve some of the burden on posts, and it would allow DS to more readily obtain the information it needs to track and report on ESA program implementation.

Recommendation 3: We recommend that the Bureau of Financial Management and Policy establish a unique accounting code for obligating and liquidating emergency supplemental funds that flow through the International Cooperative Administrative Support Services program.

FMP stated that the Deputy Chief Financial Officer met with DS and ICASS Service Center staff to discuss this issue. FMP requested a discussion to better understand OIG's concerns. After clarifying the issue, FMP will work with DS and OIG staff to resolve it. This recommendation is considered unresolved.

Obligations Incurred Prior to Receiving ESA Funds

The Department estimated that it incurred approximately \$18 million in obligations and actual expenditures in support of the ESA program prior to receiving the ESA funds and establishing the point limitation accounts. These transactions were recorded against regular appropriation accounts. In November 1998, FMP provided all bureaus instructions for transferring these transactions to the ESA point limitation accounts.

A/FBO identified approximately \$10 million in domestic ESA transactions that were recorded against regular appropriation accounts. In mid-June 1999, as a result of our inquiries, A/FBO informed us that it had begun the process to transfer these domestic transactions to its ESA point limitation account. In a cable to all posts, dated August 1999, A/FBO requested that posts provide information on the current status of all projects for which posts had received ESA funding under specific function codes. The cable addressed how posts should report the status of the ESA projects. It did not require posts to transfer obligations and liquidations, which were recorded in regular appropriation accounts prior to establishing the point limitation, to the ESA point limitation account.

Because these transactions had not been transferred to the point limitation account, they did not appear as ESA transactions in either CFMS or A/FBO's internal system. Although we recognize that this is a very complicated and time-consuming endeavor, the Department should ensure that the transfers are made as soon as possible so that the accounting and management information systems accurately reflect the use of ESA funds.

We have indications that this problem may exist in other bureaus. We are exploring this in our continuing work.

Recommendation 4: We recommend that the Bureau of Administration, Office of Foreign Buildings Operations, identify all emergency supplemental transactions that were recorded against regular appropriation accounts and ensure that these transactions are transferred to its point limitation account.

In its response to our draft report, A/FBO stated that it will continue to identify all ESA transactions that were recorded against regular appropriation accounts and transfer them to its point limitation account. Further, it has transferred \$5.9 million to date -- \$1.25 million for FY 1998 and \$4.65 for FY 99 -- and is continuing to process the remainder. To close this recommendation, we will need a list of transactions to be transferred and evidence of the completed transfers including confirmation that transactions were also transferred at the post level. This recommendation is considered resolved.

B. HIRING, ASSIGNING, AND TRAINING OVERSEAS SECURITY PERSONNEL

The Department is making considerable progress in hiring, assigning, and training new security personnel. When hired, the 391 new security positions established under ESA should help address the staffing shortages to support overseas security. Although the Department is making progress, we identified some potential problems. For instance, we found that the Department deferred filling overseas security officer⁷ positions at three high-priority posts and a security engineering position at one high-priority location because employees did not bid on these assignments. OIG has previously raised concerns about the Department's assignment process.

Process to Determine Needs for Overseas Security Personnel

The Department originally considered assigning an RSO and an ARSO to each post but subsequently determined that this approach was not feasible. The decision on how to allocate the limited number of security officer positions was left up to DS' Office of Overseas Operations. The process was very informal and undocumented, consisting of a series of meetings between the director, DS Office of Overseas Operations and the executive director from each of the five regional bureaus. Because of the decision to allocate positions over a 2-year period, each regional executive director was required to rank posts in priority order. Based on our discussions with the regional executive directors, the factors used in determining where positions should be located included: (1) workload factors, (2) locations where Marine security detachments existed, (3) number of constituent posts, (4) amount of overtime worked and the temporary duty coverage needed, (5) post requests, and (6) number of ESA-funded programs that needed to be administered. The threat environment was a lesser consideration. Information was also gathered from personal experience, quarterly DS reports submitted by RSOs, discussions with regional bureau desk officers, and discussions with RSOs. DS officials stated that after a 2-year period overseas staffing would be reassessed.

Although the above decisionmaking process was not documented, the rationale used to determine security needs appears to be reasonable. Serious consideration went into making the final decisions for worldwide post security personnel assignments. We received, however, conflicting information as to whether DS received or considered feedback from others outside of DS. Some of the regional bureaus complained, as did some of the posts, that DS unilaterally made personnel assignment decisions without consulting them.

Process Used to Assign Staff to New Positions

Because the new overseas security officer positions were to be implemented outside of the normal bid cycle, and at least 33 positions needed to be filled by experienced security officers, DS requested that the Bureau of Personnel, Office of Career Development and Assignments, contact incumbent security officers and convince them to curtail their current assignments. The remainder of the security officer positions would be filled by new hires, a

⁷ For this status report, we describe Foreign Service security officer positions under skill code position number 2501 as either overseas security officers or RSOs and/or ARSOs. We note that as of August 1999, RSO and ARSO designators under skill code 2501 have both been changed to Special Agent.

practice contrary to DS' normal practice of not sending officers overseas until they have served at least two domestic tours. DS management stated that it was trying to counter the negative impact of sending inexperienced staff to the field by: (1) assigning new hires to posts with large RSO operations, (2) assigning only those who volunteer, and (3) placing security officers who volunteer through a vetting process that assessed personality and experience factors. DS management stated numerous times that the organization has suffered due to the lack of regular annual hiring in the past.

The security engineering officer (SEO)⁸ positions under ESA are all being filled by new hires that are being preassigned to posts. DS management complained about the preassignment process (which they claimed was a personnel requirement) because it does not provide them with an opportunity to assess the individuals before determining their assignments.

Of the 140 newly established overseas security officer positions, 68 will be filled during calendar year 1999. These positions consist of 33 RSOs and 35 ARSOs. Most of the 68 security officers are currently in training and should be sent to posts in either the latter part of 1999 or early 2000. We found that the Department deferred filling security officer positions at three high-priority locations and a security engineering position at one high-priority location because employees did not bid on these assignments. An OIG inspection report issued in March 1998 (ISP/I-98-16) recommended that the Department institute, before the 1999 bidding cycle, a new incentive scheme for hard-to-fill and hardship and dangerous posts. The Department responded to our recommendation stating that for the 1999 bid cycle it would reduce 140 Foreign Service officer positions at favorable or attractive overseas locations to direct officers towards the remaining hard-to-fill positions. An August 25, 1999, cable to all posts on open assignments for the 1999 cycle indicated the Department's position on hard-to-fill vacancies for ESA positions. The cable stated, "Given the need to fill these jobs urgently, you should know that if we have no bidders on them the Department will be compelled to identify candidates." At the conclusion of our work, the Department had not directed personnel to fill the above mentioned positions.

The Department has tentatively filled its target of 17 SEO positions and 34 security technician positions, pending security clearances. The security technicians began attending training classes in September 1999. These classes are scheduled to run until March 2000, after which the technicians will begin their overseas assignments.

Addressing Security Training Needs

The full complement of training for security officers is being provided to those individuals filling the ESA-funded positions. All newly hired security officers are being put through the same rigorous training schedule as in the past (Foreign Service Institute Orientation, Federal Law Enforcement Training Center, Basic Agent Training at the DS training center, and language training where required). DS requires both newly hired and experienced security officers with only domestic experience to take the 8-week RSO course prior to going overseas. Security officers with prior overseas experience who have not been overseas in 4 years are required to take a refresher course, the RSO in-service course, before going overseas. DS

⁸ Security engineering officers are responsible for providing overseas posts with engineering services, including overall maintenance, repair, and replacement of security equipment.

management and training officials stressed that there was no pressure to cut the training short in order to get officers overseas more quickly. DS training officials added that the training has been increased to include bomb detection and the use of the new equipment purchased with ESA funds. DS is also planning to deploy mobile training teams in the field to assist in guard force training, with all posts scheduled for a visit within the next 2 years. According to DS officials, RSOs have been told that more time will be needed for on-the-job training because a great many more of the ARSOs will have significantly less experience than prior ARSOs.

All SEOs are required to take a 23-week training course at the Interagency Training Center. Because the security technician position was recently created, a new course has been developed. This 21-week course will take place at various locations, with the initial course beginning in September 1999. Due to the required training, most SEOs and all of the security technicians will not arrive at their assigned posts until mid-2000.

Because the training is currently in process, and personnel in these new positions are just now entering the field, we were unable to obtain feedback from the field regarding the adequacy of the training.

C. PROCUREMENT AND PROPERTY MANAGEMENT ISSUES

Despite the urgency of procuring ESA equipment, the Department, including DS, A/FBO, and IRM in Washington, and the posts we visited, followed applicable procurement and property management regulations. For the first 3 quarters of FY 1999, about \$576 million was reported as obligated. Planned total FY 1999 obligations should be about \$1.02 billion.

Most post officials were satisfied with the responsiveness of headquarters elements to approve and provide funding for post-proposed security supplemental equipment purchases, construction projects, and guard services. Yet, post officials stated that communications with headquarters program elements and regional bureaus could be improved. Post officials recommend Washington points of contact for ESA programs and projects.

As of September 30, 1999, over 230 post-processed security upgrade projects had been completed, and another 150 were under construction. Construction on many of the larger upgrade projects were awaiting survey teams from A/FBO and two construction firms that will manage projects through an implementation contract. Posts officials are concerned with the availability of technical staff to oversee the management of construction projects, although A/FBO believes it will be able to provide project support personnel as required. Post officials expressed concern over future funding for ESA programs that the Department currently pays for, including related equipment, but beginning in FY 2001 program funding will be shared at post under ICASS.

FY 1999 Procurements Proceeding as Planned; Savings Anticipated

For FY 1999, the Department targeted obligations at about \$1.02 billion for the procurement of goods and services. For the first 3 quarters of FY 1999, about \$576 million (56

percent) were obligated against the planned total. According to a senior Department official, the acquisition of goods and services for the first 3 quarters cost about \$111 million less than planned, primarily due to favorable exchange rates and lower procurement costs. Estimated 4th quarter obligations of \$447.9 million may also reflect reduced spending and therefore be less than planned. (See table below.)

Summary of FY 1999 Actual (through June) and Planned Obligations Department of State Goods and Services Acquired Under the Emergency Security Appropriation					
<u>Program</u>	1st - 3rd Qtrs. Actual⁹ Obligations	Percent FY 1999 Total	4th Qtr. Planned Obligations	Percent FY 1999 Total	Total FY 1999
Security Upgrades	170,829,000	49%	175,122,000	51%	345,951,000
Local Guards	73,625,000	58%	53,387,000	42%	127,012,000
Physical & Technical Security Upgrades	163,768,000	66%	85,104,000	34%	248,872,000
Infrastructure	33,653,000	55%	27,780,000	45%	61,433,000
Overseas Wireless Communications	69,300,000	80%	17,500,000	20%	86,800,000
Training and Materials	2,194,000	80%	547,000	20%	2,741,000
Antiterrorism, Goods & Services	62,792,000	41%	88,474,000	59%	151,266,000
<u>Totals</u>	\$576,161,000	56%	447,914,000	44%	1,024,070,000

Source: As of 6/30/99, Bureau FY 1999 Obligation Plans

As of June 30, 1999, Department offices in Washington used over 110 contracts to obligate funds for ESA-related goods and services. Our review of selected contracts indicated compliance with the Federal Acquisition Regulation and Department policies and procedures. Instead of using the urgency of security needs to justify sole source contracts, the Department has prudently acquired security-related goods and services through competitive solicitations, existing contracts, and governmentwide acquisition contracts. Six posts visited were following procurement regulations for the local purchase of ESA equipment, including computers, binoculars, night scopes, and vehicles, and minor construction projects for fences, guard booths, and jersey barriers. The cost of these post contracts ranged from about \$1,000 to \$50,000. We also reviewed an additional \$13 million in contracts issued by the Regional Procurement Services Office, Frankfurt, in support of other posts for ESA-funded procurement activities and

⁹ OIG questions Department reported obligations of about \$79 million as internal transfers to post, not actual obligations.

found compliance with Federal Acquisition Regulation provisions. The Regional Procurement Services Office will also manage the worldwide contract for fully armored vehicles. The \$10 million contract was awarded, and some vehicles have been delivered to posts.

Headquarters Responsive to Post Funding Requests, but Communications Could Be Improved

Most post officials were satisfied with the responsiveness of Washington offices to approve post-proposed security supplemental equipment purchases, construction projects, and guard services. Also, post officials were generally pleased with the timeliness of related funding. Some post officials stated that improvements could be made in communicating with headquarters program and project personnel and the regional bureaus, although regional bureau officers did not think communication was a problem. Post officials noted a gap in Washington ESA program coordination, especially cables requesting redundant or similar information. Senior post officials stated a frustration at times in not knowing headquarters' plans. Some officials indicated that information gaps concerning specific programs and projects still remain.

All the posts visited during the survey commented on their relationships with the functional bureaus involved with the ESA. Generally, A/FBO staff and managers received good reviews. A few posts reported, however, that A/FBO projects initiated before August 1998 had "fallen through the cracks," largely because A/FBO had shifted completely to ESA programs. Some RSOs or post security officers (PSOs) had problems finding DS project officials, although the more senior RSOs who had maintained personal contacts in DS, expressed few communication concerns. Officials at Embassies Bangkok, Bern, Conakry, and Ulaanbaatar noted that different DS offices had on occasion provided conflicting advice. One post official stated that with 42 DS projects and multiple management layers, the chance of getting lost in the shuffle was great. Some post staff thought that their respective regional bureaus needed to be more informed and proactive about headquarters programs, policies, and financial issues. As a best practice, Bangkok officials cited the Bureau of East Asian and Pacific Affairs for almost daily e-mail information to all East Asian and Pacific posts updating ESA issues and opening lines of communications to address post concerns.

The need to strengthen Washington points of contact (POCs) for ESA programs and projects was a significant issue identified by post officials. Post staff reported difficulty in obtaining information on the scope of proposed projects and the status of project or equipment requests. A recurring theme from the posts visited and from post reporting cables was that better identification of headquarters POCs for post inquiries on program and projects would be invaluable. One bureau surveying posts on ESA issues concluded that POCs were needed and observed, "Posts should not have to fumble around trying to identify who's responsible for what back here. They should not have to identify vendors, models, and specifications for generic models. They shouldn't have to surf the Internet to identify contractors. Access to POCs and the responsible individuals back here should not be interrupted by the absence of those individuals on TDY or other business."

Recommendation 5: We recommend that the Under Secretary for Management advise posts on how to quickly obtain information from headquarters about particular emergency supplemental appropriation programs or projects.

None of the posts we visited had established a security supplemental committee or working group for ESA, although Berlin and Bangkok were working to establish such a committee. At most posts, the RSOs or PSOs had taken the lead in planning acquisitions, although most had not updated the post's acquisition plan for these requirements. Overseas staffs generally stated that they worked closely together, although the RSO and the general services officer (GSO) at two posts experienced some communication problems in providing detailed scopes of work for ESA-funded contracts. Those problems significantly delayed contract awards. As a result of OIG identifying this concern to the Security Oversight Board, the Under Secretary for Management transmitted a cable to all posts on July 26, 1999, highlighting the benefits of a team approach and a designated coordinator to implement security requirements as quickly as possible.

ESA Acquisition of Equipment and Services

Post officials expressed concern over the source of future funding for ESA programs, including related equipment, because beginning in FY 2001 ESA funding responsibility will be transferred from the Department to all post components under ICASS. RSOs in Berlin wanted to know if the local ICASS Council would have authority to cancel security programs due to lack of funds and whether security management would be entrusted to the ICASS Council. In Sofia, the budget and fiscal officer intended to begin depreciating the ESA-funded equipment in the ICASS budget in order to pay for replacement of outmoded equipment. Payment for maintenance and repair of security equipment was a common post concern, and most post administrative and security officials believe that the Department will have to fund all or part of future cost requirements.

We noted some initial confusion by post procurement officers and Foreign Service national staff concerning appropriation authority for ESA-funded projects and whether funds could be used over more than 1 fiscal year. Officers are now aware that these funds, when properly allotted, are not limited to a single year. One post erroneously thought the allotted funds would expire at the end of FY 1998 and hastily awarded on the last day of the fiscal year a \$16,000 sole source contract for an anticlimb wall. The GSO at post stated that the rationale for the sole source contract was not compelling. Recently, construction deficiencies for the anticlimb wall were identified that will require substantial repairs at post expense. At another post, the RSO cabled Washington in May 1999 requesting that funds be postponed until operations were relocated the following fiscal year. The RSO was advised that funds would not expire that fiscal year.

Post officials, including security and procurement officers, identified three ESA-funded programs that could benefit from clearer guidelines and Washington guidance to assist posts in procuring equipment and services. These programs are (1) Surveillance Detection, administered by DS with \$100 million in estimated funding, (2) Overseas Wireless Communications, administered by IRM with \$118.5 million estimated funding activity, and (3) Shatter Resistant Window Film, administered by DS for residential properties and A/FBO for office facilities, with a combined \$40.7 million estimated funding activity. At the conclusion of our survey work, we recognized significant advances made in program management and direction for the above programs.

Surveillance Detection Guard Program

The mission of the surveillance detection initiative is to provide the post with a small dedicated surveillance guard team working around official government buildings to observe and report any suspicious or surveillance activities to the post security officer. The surveillance detection teams can provide early warning of terrorist activities and assist in denying terrorists the information needed to carry out an attack. According to the *Inman Report* and confirmed by the *Report of the Accountability Review Boards on the Embassy Bombings in Nairobi and Dar es Salaam*, every major terrorist attack against an official U.S. facility has included preattack surveillance by the terrorist organization. Posts were encouraged to amend guard contracts to include surveillance detection teams. At posts with the guard force procured through Personal Services Agreements (PSAs), the RSO should hire the surveillance detection team through additional PSA positions.

We identified posts receiving large, unanticipated funds to implement surveillance detection programs that had not been developed by post security officials. As of late June 1999, DS reported that 186 posts had implemented the program with 54 posts scheduled for specific training.

According to DS officials, monies were sent to posts based on the threat level and the need for surveillance detection personnel. However, one post received about \$750,000 to implement a program that the post has estimated will cost about \$40,000 during FY 1999. An official at post told us that when the post thought it would have to fund the program, it responded to a DS survey that the program was unwarranted. Subsequently, DS determined that all posts should implement a surveillance program with DS funding.

Based on OIG and other Department concerns over long-term funding of surveillance detection programs, DS has added management controls. In an August 31, 1999, cable to all posts, DS requested a year end review, through September 30, 1999, of funding requirements for local guard programs, including surveillance detection programs. The cable requested the return of all funds not obligated by fiscal year end and stated that program funding for FY 2000 would be "reissued" to post.

We noted at three posts that in the haste to implement the program, contract oversight was not adequate. At the first post, about \$20,000 in radios and other equipment was purchased through an ESA-funded amendment to the local guard services contract. The original contract called for the contractor to furnish the radios and equipment. Further, this contract will expire in less than 1 year and the equipment will become the property of the guard service vendor at the end of the contract. At the second location, a related ESA-funded security program was implemented without a modification to the post guard contract. At a third post that we did not visit, we learned that local guard programs were given unauthorized salary increases and unauthorized loans. We have alerted Department and post officials about the need to strengthen contract management.

Post officials at about half of the locations reviewed expressed concern that surveillance detection program positions had to be filled immediately through PSAs because hiring personnel

for PSA positions is a long and demanding process. One post official estimated that a PSA position requires five times the annual paperwork of a local guard contract.

Germany, one of our largest overseas operations, received about \$2.3 million for surveillance detection. Post officials stated that implementing this program at five constituent posts and other ESA projects has strained administrative staff. Further, they estimated requirements for as many as 20 employees to support surveillance detection. Overall, one official stated, the post will require increased staff in personnel, financial services, procurement, and customs and shipping. DS had advised post that any need to increase administrative staffing should be referred to the post ICASS council.

Post security officials are purchasing computers locally for the surveillance detection program, but the configuration, software, and training for computers had not been determined at the time of our survey. Whether these computers would be stand-alone or part of a network remains uncertain. We plan to review this program in more detail, including compliance with aspects of Federal and Department regulations to acquire services and procure computer equipment and systems.

Overseas Wireless Communications

According to IRM officials, the overseas wireless modification effort will replace posts' emergency and evacuation (E&E) radio system with modern wireless technology. A wireless E&E communication system will be designed around posts' emergency action plan. The program will include performance measures "to make sure technology allows for faster, more effective emergency response." The modernization effort is limited solely to the E&E network, which does not include the local guard force network, administrative network, or high frequency network. In October 1998, the Under Secretary for Management directed IRM to complete the program at 229 overseas locations within 1 year. Currently, IRM projects E&E system networks will be implemented at 100 posts overseas by the end of 1999.

According to IRM officials, all posts will not qualify for radio systems. One or two officer posts will only qualify for satellite phones. Therefore, at the majority of posts official or authorized Americans will receive E&E radios. Also, at approximately 74 posts, dependents over the age of 14 will qualify for a radio.

Some post officials stated that aspects of the overseas wireless program needed to be clarified including the effect on existing equipment. According to IRM officials, at over 90 percent of posts, the E&E radio system should have no impact on existing equipment. Information management officers at four posts were concerned that IRM managers administering the program had not yet decided if the program would replace or supplement the existing radio program. At two other posts, the security officials were uncertain about who should receive a radio. One large post with about 467 American staff, did not plan to have radios for all personnel and dependents over 14 years of age. That post proposed keeping all radios in a secure location until needed. Some posts were concerned that the new radios may be used for only Department personnel, and as a result, posts would lack a uniform system. According to IRM officials, the Department policy is to provide E&E communications to direct-hire Americans

regardless of agency. Local-hire Americans, contract Americans, and Foreign Service nationals are not included in the E&E radio system.

One regional bureau, surveying its posts during the spring of 1999, observed technical survey teams assessing post radio communications could not provide program details. According to IRM officials, later survey teams were more prepared to provide overall program information. Overall, post officials highly regarded the professionalism of the survey teams assessing the technical aspects of post radio communications. One post, Ulaanbaatar, disagreed with the survey team's recommendation for the post to receive only 11 radios versus the 23 radios estimated by post officials. The post successfully appealed to headquarters for the 23 radios.

Several posts noted that the proposed program will not be compatible with current radio programs, and a few people may need to carry two radios or communication devices. IRM officials stated that they expect most E&E radio systems to be on the same frequency as existing radio equipment and therefore compatible. One large post was concerned if funding would be available to hire a technician to manage the program, including maintenance and repair of equipment and property accountability. At another large post, the information management officer did not intend to request new radio frequencies until he knew the final plan for his post.

According to an IRM official, only about half of our posts worldwide have responded to the Department on host nation approval for new frequencies under this program. The Department estimates about 40 countries will not give permission for new frequencies. In countries where the Department is unlikely to receive permission, primarily because the U.S. will not grant a reciprocal frequency, a Department official stated that posts should explore alternative communication solutions. Currently, posts not receiving host nation approval are awaiting a decision from the Deputy Secretary on the E&E radio system's alternative approach to using approved radio frequencies. At another post, we found the designated frequency is shared by another foreign embassy.

Shatter Resistant Window Film

During a bomb blast, untreated glass windows break into flying shards that can kill or injure building occupants. The shatter resistant window film is a thin adhesive that is applied to the interior of the window to hold these shards together and reduce casualties. It is the Department's intent to install 8-mil¹⁰ window film, or alternatively ballistic windows, on all residential and nonresidential windows, including short-term leased properties. In the past, the Department standard for shatter resistant window film has been 4-mil thickness film. However, after the bombings in Dar es Salaam and Nairobi, the Department recommended 8-mil thickness or equivalent as an interim standard until a new permanent standard is established.

In April 1999, A/FBO instructed posts on program mechanics including post, vendor, and Department responsibilities. To date, 135 of the 237 posts requesting assistance have been funded. During our survey we found that some posts were delaying contracts to install shatter resistant window film due to conflicts or questions over program directives and potential costs.

¹⁰ One mil is equal to 1/1000 inch.

A few posts were initially confused over program funding with A/FBO paying for office buildings and DS for residences. A/FBO's program funding was originally estimated at \$21.7 million and has since been revised to about \$10.7 million. During FY 1999, A/FBO estimated that it obligated about \$3.8 million. DS estimated program costs of about \$30 million.

All of the larger posts we visited questioned the cost and program utility of providing window film to short-term leased properties. One post official stated that landlords for short-term properties may object to the installation. Also, it could be expensive to later remove installed window film. Most RSOs requested the flexibility to determine what short-term properties, if any, should receive the window film. Many posts were concerned about the time and cost to measure windows to estimate the amount of film to purchase. Post officials stated that general services staff were already involved in other security projects or attempting to reduce its backlog in maintenance and repair of facilities. One large post received an estimate of over \$1 million from an architectural and engineering firm to measure windows. The post declined and is looking for a cheaper option. Some posts felt that energy conservation alternatives were not being considered in the rush to place film on windows.

A/FBO's Security Upgrade Project Development

Construction on many of the larger security upgrade projects were awaiting survey teams from A/FBO's Construction Security Management Division and two construction firms that will manage projects through an implementation contract and agreement. According to A/FBO officials, the contract will provide funding of about \$155 million in projects, although A/FBO and DS officials are currently reviewing which posts should receive funding. A/FBO is funding \$95 million and DS about \$60 million, the latter for technical security projects. The total implementation contract has an estimated ceiling of \$200 million and was originally envisioned to cover project requests received from 140 posts. Currently, A/FBO officials estimate that 110 posts will be considered for project funding with at least 20 projects completed with the \$95 million in available funding.

A/FBO was able to initiate security upgrade project development in a relatively short time. The post surveys started in May 1999, and through the end of September 1999, survey teams had visited 75 overseas locations. Additional survey visits are now on hold as A/FBO reviews all current project proposals and with DS prioritizes projects based on security factors and available funding.

Post officials stated that few staff members have the expertise to manage multiple construction projects and respond to short turnaround requests for design and cost information. Although the projects will be fixed-price awards that usually require minimal government oversight, post and Washington officials expressed the need for a government representative to interact with the implementation contractor to assure quality control in construction projects. A/FBO recognizes this limitation, and although some projects will be managed directly by post staff, other projects will be managed directly by technical staff from A/FBO. Further, A/FBO will station additional technical staff overseas on a regional basis to assist posts in monitoring projects under the implementation contract. Therefore A/FBO officials believe it can support projects as required.

Based on our overseas work, we recommended that government team members for post surveys request that specific information be made available prior to their arrival. The Construction Security Management Division agreed and developed a one-page checklist about post facilities and local labor and material rates.

ESA Property at Post is Accountable and Secure

We found that posts were able to cope with the shipment of security equipment. Overall, equipment was properly stored or installed and maintained. Four posts had received both explosive detection equipment and X-ray equipment. At Berlin and Tel Aviv, the vendor supplied teams to install and train the local guard force in their use and maintenance within 2 weeks of the arrival of the equipment. During the period before the vendor team arrived, posts stored the equipment at the embassy or consulate office buildings in controlled areas. At another post, the X-ray equipment had just arrived and was stored in a crate at the warehouse. We inspected the site and found that the equipment appeared to be properly stored and protected. However, the walk-through metal detector in the consular annex did not have the bar code identification that should have been affixed by DS prior to overseas shipment. In prior work, OIG has observed that posts without a security engineer officer do not always record security equipment in inventory records, but wait for semiannual visits of Security Equipment Maintenance Program teams to update property inventories.

D. SECURITY AT EMBASSIES DAR ES SALAAM AND NAIROBI FOLLOWING THE AUGUST 7, 1998, TERRORIST BOMBINGS

Interim Embassies Dar es Salaam and Nairobi are more secure than at the former facilities at the time of the August 7, 1998, terrorist bombings. Since the bombings, the Department has lowered the risk from vehicle bomb attacks and increased the survivability of employees in the interim U.S. embassies in Tanzania and Kenya. Department officials, especially those from A/FBO and DS, and embassy staff deserve credit for sustaining operations and improving physical security.

During our May 1999 security evaluation, OIG found that the Department needed additional steps to improve security at both Embassies Dar es Salaam and Nairobi. The Department has taken corrective action on many of the 15 recommendations we made in our August 1999 report (SIO/E-99-50). Key areas of concern were the following:

- **Embassy Dar es Salaam** was operating out of an interim office building (IOB) that had the required setback and was more physically secure than the former chancery. However, the new chancery compound did not have sufficient emergency electrical power for security systems such as the exterior security lights, alarms, and vehicle barriers. [5 U.S.C. § 552 (b)(2)]
- **Embassy Nairobi**, temporarily operating from the U.S. Agency for International Development (USAID) building, was protected from vehicle bomb attack by the 24-hour presence of U.S. Marines in the streets around the building. Security was significantly

improved when most Embassy Nairobi employees moved to the new IOB in mid-August. Security should be further enhanced at the IOB by strengthening the large glass windows, providing a secondary exit from the compound, improving vehicle inspection procedures, [5 U.S.C. § 552 (b)(2)].

- **Both** Embassy Dar es Salaam and Embassy Nairobi needed to update their emergency action plans to include operations in the IOBs. The existing plans contained assembly areas, recall lists, telephone numbers, internal safehavens, and numerous other items from the original facilities.
- **Both** embassies needed to ensure that equipment, such as computers and telephones, that was out of cleared American control after the bombings was not introduced into the controlled-access areas (CAAs). Some of the equipment from the bombed-out chanceries was recovered and can still be used, but much of this equipment was stored in warehouses that were under the control of Foreign Service national employees. As a result, this equipment could have been tampered with or otherwise compromised, and use of this equipment in CAAs would place classified and sensitive information processed or discussed in CAAs at risk.

A/FBO, in response to a draft copy of this report, stated that actions were underway to correct the physical security deficiencies identified at Embassies Dar es Salaam and Nairobi. At Embassy Dar es Salaam, an upgrade of the existing electrical distribution system was initiated at the IOB. Construction associated with this upgrade should be completed in December 1999. At Embassy Nairobi, the large glass windows were replaced with a new block wall and windows consistent with the remainder of the building. In addition, a secondary exit from the compound was installed, and the post is now inspecting vehicles entering the compound further away from the building and closer to the main public road.

E. CONTRACT AUDIT OF INTERIM OFFICE BUILDING CONSTRUCTION IN DAR ES SALAAM

At the request of OIG, the Defense Contract Audit Agency audited approximately \$8.4 million of the \$9 million cost to design and build an office building to serve as the interim U.S. Embassy in Dar es Salaam. The Department had issued a delivery order to the construction contractor in August 1998 under a basic ordering agreement. The delivery order was not completed due to the urgent nature of the project. As the construction project neared completion in April 1999, the Department's contracting officer asked OIG to audit proposed costs submitted by the U.S. prime contractor and subcontractor in Dar es Salaam. During August 1999 we sent our audit results to the contracting officer for use in negotiating a fair and reasonable final contract price. We questioned about \$850,000 in proposed contract costs.

In late September 1999, the Department and contractor began negotiations on a final contract price. The contracting officer anticipates that based on the results of the Defense Contract Audit Agency audit and the contractor's response to audit findings, contractor claims will be substantially reduced.

V. CONSOLIDATED LIST OF RECOMMENDATIONS

Recommendation 1: We recommend that the Bureau of Financial Management and Policy develop a method of collecting the information used in Department of State reports on implementing emergency supplemental funding that ensures amounts shown as obligated represent actual obligations for goods and services. Any amounts provided to posts that have not been obligated by posts should be properly identified as such.

Recommendation 2: We recommend that the Bureau of Financial Management and Policy, with input from the Bureau of Diplomatic Security, develop and consider alternative methods to account for Bureau of Diplomatic Security allotments of emergency supplemental funds to posts.

Recommendation 3: We recommend that the Bureau of Financial Management and Policy establish a unique accounting code for obligating and liquidating emergency supplemental funds that flow through the International Cooperative Administrative Support Services program.

Recommendation 4: We recommend that the Bureau of Administration, Office of Foreign Buildings Operations, identify all emergency supplemental transactions that were recorded against regular appropriation accounts and ensure that these transactions are transferred to the point limitation account.

Recommendation 5: We recommend that the Under Secretary for Management advise posts on how to quickly obtain information from headquarters about particular emergency supplemental appropriation programs or projects.